

#### Members

Rep. Thomas Kromkowski, Chairperson  
Rep. Terry Goodin  
Rep. Larry Buell  
Rep. Richard Mangus  
Sen. Joseph Harrison  
Sen. Thomas Weatherwax  
Sen. Allie Craycraft  
Sen. Larry Lutz  
Claude Davis  
Steve Meno  
William Gettings, Jr.  
Connie Lux



# PENSION MANAGEMENT OVERSIGHT COMMISSION

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Authority: IC 2-5-12-1

## REVISED MEETING MINUTES<sup>1</sup>

**Meeting Date:** October 23, 2002  
**Meeting Time:** 10:30 A.M.  
**Meeting Place:** State House, 200 W. Washington St.,  
Room 404  
**Meeting City:** Indianapolis, Indiana  
**Meeting Number:** 3

**Members Present:** Rep. Thomas Kromkowski, Chairperson; Rep. Larry Buell; Rep. Richard Mangus; Sen. Thomas Weatherwax; Sen. Allie Craycraft; Sen. Larry Lutz; Steve Meno; William Gettings, Jr.

**Members Absent:** Rep. Terry Goodin; Sen. Joseph Harrison; Claude Davis; Connie Lux.

### 1. Public Employees' Retirement Fund

The Chair, Representative Thomas Kromkowski, called the meeting to order at 10:40 a.m. Mr. Fred Biesecker, acting executive director of the Public Employees' Retirement Fund (PERF), was recognized. Mr. Biesecker distributed copies of PERF's Annual Report to Commission members (Exhibit A). He told the Commission that PERF's performance was better than 3/4 of the pension funds in their peer group. Mr. Biesecker told the Commission that the market value of PERF declined by \$400 million in the last year. He distributed Exhibit B, which shows PERF's investment return. Continuing, Mr. Biesecker told the Commission of a favorable editorial in the Indianapolis Business Journal about PERF's investment policy. He then discussed current initiatives at PERF, saying that the adoption of policy and procedures would be the foundation for the new executive director when that person is hired. Mr. Biesecker said that a new executive director is expected to be on board by the end of this calendar year. He said that the PERF Board of Trustees, at its October 11, 2002, meeting, adopted a hiring/screening policy for

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<sup>1</sup> Exhibits and other materials referenced in these minutes can be inspected and copied in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for copies may be mailed to the Legislative Information Center, Legislative Services Agency, 200 West Washington Street, Indianapolis, IN 46204-2789. A fee of \$0.15 per page and mailing costs will be charged for copies. These minutes are also available on the Internet at the General Assembly homepage. The URL address of the General Assembly homepage is <http://www.ai.org/legislative/>. No fee is charged for viewing, downloading, or printing minutes from the Internet.

new hires and current employees (Exhibit C). He said that an acting chief benefits officer is to be hired soon. He also said that five new people will be hired in the benefits area. These hires were approved by the Governor's Freeze Committee. Mr. Biesecker told the Commission that he and his staff are working with the Teachers' Retirement Fund (TRF) to improve their computer systems. He said that he and Dr. William Christopher, executive director of TRF, will be meeting with the computer vendor in November. Mr. Biesecker said the Governor's early retirement initiative may require additional staff in the benefits area.

In response to a Commission question, Mr. Biesecker said that the executive director of PERF is hired by the PERF Board of Trustees with the Governor's approval. He continued by saying that other personnel are hired by the Board of Trustees and that the Governor's office is not involved in the screening and hiring.

## **2. Teachers' Retirement Fund**

Representative Kromkowski called upon Dr. William Christopher, executive director of TRF. Dr. Christopher distributed copies of TRF's Annual Report to Commission members (Exhibit D). Dr. Christopher told the Commission that TRF was the top pension fund for three years running in investment performance, exceeding the indexes in every year. He said that TRF administrative expenses have decreased by 11% over the last year. Continuing, Dr. Christopher said that the TRF Old Plan is 42.9% funded and that the TRF New Plan is 53% funded overall. He said that the balance in the Pension Stabilization Fund is almost \$1.8 billion. Dr. Christopher told the Commission that an analysis by CEM showed that TRF is a low cost fund when compared to other similar funds and that they have the lowest cost for fixed investments. He said that TRF has the second best web site in the nation for public pension funds.

Dr. Christopher told the Commission that TRF has instituted electronic statements. He said the video conferencing will begin in the Fall of 2003. He said that TRF has direct deposit and a benefits calculator for its members to use in order to better understand their pension. In response to a Commission question, Dr. Christopher said that the unfunded liability of TRF as of June 30, 2001, amounted to \$7.7 billion. The June 30, 2002, data are expected shortly, Dr. Christopher said.

## **3. Judges' Retirement System**

The staff explained PD 3295, which provides a COLA for members of the 1985 Judges' Retirement Fund. This COLA is the same that is granted to members of the PERF and the TRF by the General Assembly. Staff also explained PD 3297, which added full-time magistrates to the 1985 Judges' Retirement Fund, and PD 3563, which allows a judge to purchase service credit for service as a full-time judge *pro tempore*. The fiscal notes for the three proposals were provided to Commission members. Exhibit E consists of the three proposals, along with the fiscal notes.

Mr. Doug Todd of McCready & Keene, actuaries for the Judges' Retirement System, commented briefly on the fiscal impact of the three proposals.

The Commission heard testimony from Judge Thomas Milligan, president of the Indiana Judges Association (IJA). Judge Milligan addressed the Commission on the three Judges' Retirement issues that had been presented at the previous meeting of the Commission:

- A) Providing a COLA for members of the 1985 Judges' Retirement Fund;
- B) Adding full-time magistrates to the 1985 Judges' Retirement Fund; and

C. Allowing a judge to purchase service credit for service as a full-time judge *pro tempore*.

Judge Milligan said that he supports the three proposals and views them as parity legislation.

The Chair called for disposition of the three proposals. The proposals were moved and seconded. The Commission took the following action on the proposals:

1. The Commission voted seven to one to recommend PD 3295 to the 2003 Session of the General Assembly. PD 3295 provides a COLA for members of the 1985 Judges' Retirement Fund. This COLA is the same that is granted to members of the PERF and the TRF.

2. The Commission voted eight to zero to recommend PD 3295 to the General Assembly. PD 3297 adds full-time magistrates to the 1985 Judges' Retirement Fund.

3 The Commission voted eight to zero to recommend PD 3563 to the 2003 Session of the General Assembly. PD 3563 allows a judge to purchase service credit for service as a full-time judge *pro tempore*.

#### **4. Leave Conversion - Letter to the Internal Revenue Service (IRS)**

The Chair next called upon Ms. Mary Beth Braitman. Ms. Braitman distributed Exhibit F, Timeline for Internal Revenue Service Submission Leave Conversion. Ms. Braitman told the Commission that a letter was filed with the IRS on October 18, 2002.

#### **5. State Employee Leave Conversion and Vacation - Preliminary Draft 3676**

The staff explained PD 3676 and the accompanying fiscal note (Exhibit G). PD 3676 allows state employees annually to elect to convert unused accrued vacation and sick leave at 100% of its current value. The conversion may be made to cash or a contribution to the employee's deferred compensation plan account. It limits to 25 the number of vacation days that full-time employees may take each year unless the State Personnel Director approves a greater number for catastrophic reasons.

Representative Kromkowski told the Commission that there would not be a vote today on PD 3676. He said that he is troubled by the limitation on the number of vacation days and does not want to micro-manage the State Department of Personnel. However, Representative Kromkowski said that he would have PD 3676 prepared in his name for introduction in the 2003 Session of the General Assembly.

Representative Kromkowski called upon Mr. David Larson, president of the Indiana State Employees Association. Mr. Larson told the Commission that PD 3676 gives state employees control of their money and their leave time. Mr. William Gettings, Commission member, suggested the conversion plan be limited to retiring state employees. Senator Weatherwax suggested that the leave conversion be tied-in with the Governor's early retirement plan.

#### **6. Teachers' Retirement Fund Benefit Payments - Preliminary Draft 3693**

The staff explained that PD 3693 (Exhibit H) eliminates the requirement that the last retirement benefit paid by the TRF be prorated to terminate at the member's death. Dr. Christopher spoke in favor of PD 3693. Representative Kromkowski called for action on the proposal. PD 3693 was moved and seconded. The Commission voted eight to zero to recommend PD 3693 to the 2003 Session of the General Assembly.

## **7. Senator Craycraft Legislation**

Senator Craycraft told the Commission that he will not have any proposed legislation now. He said that the issue is being handled administratively.

## **8. Commission Final Report**

The Commission voted eight to zero to adopt the draft copy of the final report of the Commission which would be amended and updated to reflect the action taken at the third and final meeting of the Commission.

## **9. Northern Indiana Commuter Transportation District (NICTD)**

The Commission next heard testimony from Mr. Robert Byrd, representing the seven police officers of NICTD. Mr. Byrd told the Commission that NICTD was created in 1977 to operate the South Shore Railroad. He said that the seven officers are currently under civilian PERF. Mr. Byrd told the Commission that he and the other officers want to join the 1977 Police Officers' and Firefighters' Pension and Disability Fund because it has a better disability component and has transferability. He said that the Fraternal Order of Police (FOP) supports the effort. Mr. Byrd told the Commission that he wants to transfer the PERF contributions to the 1977 Police Officers' and Firefighters' Pension and Disability Fund. He said that there would be no cost to NICTD. A fiscal note on this proposal was made available to Commission members by the staff (Exhibit I). Mr. Tom Miller, Chair of the 1977 Police Officers' and Firefighters' Pension and Disability Fund Advisory Committee told the Commission that he has no problem with the proposal except who is actuarially funding the benefits. Representative Kromkowski said that he would have a bill prepared for introduction in the 2003 Session of the General Assembly to put the NICTD police officers into the 1977 Police Officers' and Firefighters' Pension and Disability Fund. No Commission action was taken.

Representative Kromkowski adjourned the meeting at 11:50 a.m.